

DATE: September 18, 2023

REPORT NO: T-23-2023

SUBJECT: **2024 Budget Process and Schedule**

CONTACT: Donna DeFilippis, CPA., CA., Director of Finance and Treasurer

OVERVIEW:

This report outlines the Proposed 2024 Budget process as summarized below:

- **Monday, January 15, 2024 All Committee Meeting:** Presentation of the 2024 Capital Budget and Ten Year Capital Plan and any 2024 Staffing Requests for Information Purposes Only.
- **Monday, February 5, 2024 Special Council Meeting:** Presentation of the 2024 Draft Operating and Capital Budget.
- **Tuesday, February 20, 2024 Administration/Finance/Fire Meeting:** Presentation of the Final 2024 Operating and Capital Budget.
- **Wednesday, February 21, 2024 Administration/Finance/Fire Meeting:** This date will only be required if the 2024 Budget is not approved at the February 20th, 2024 meeting.
- **Monday, February 26, 2024 Council Meeting:** Ratification of the 2024 Capital and Operating Budget.
- A 2024 budget engagement survey will be launched in the fall of 2023 in order to allow the public to share their thoughts regarding the 2024 budget.

RECOMMENDATION:

That, Information Report T-23-2023, regarding the “2024 Budget Process and Schedule”, dated September 18, 2023, be received for information.

ALIGNMENT TO STRATEGIC PLAN:

Strategic Priority #4

- **ADVANCE** - organizational capacity and effectiveness

BACKGROUND:

In accordance with Section 290 of the *Municipal Act*, a local municipality must prepare and adopt a balanced budget every year. The budget document is prepared annually through staff submissions, meetings with the CAO and senior staff, and final compilation by the Finance department. The Township's purchasing By-law allows for departments to continue spending on operating items in the absence of an adopted budget, up to 35% of the prior years' budgeted amount.

The budget is designed to essentially balance cash inflows, such as tax revenues with major outflows, like operating costs. The budget results in the determination of the overall tax levy requirement necessary to provide required services to the residents and businesses of West Lincoln. This tax levy requirement is used to determine tax rates and ultimately the amount of property taxes collected from property owners. In addition, the annual budget should reflect the priorities outlined by Council and consistent with the Corporate Strategic Plan. Approval of the annual budget is the beginning of a process of financial management and control where actual results are monitored and assessed against the approved budget.

CURRENT SITUATION:

The Finance Department has drafted a schedule for senior staff as it relates to timing for submission of departmental budgets and meetings with the Treasurer and CAO. This timeline is imperative for the Finance department as it allows for the necessary reviews, additional analysis, and preparation of the final draft budget and corresponding reports. Questica Software will be used to produce the budget along with the accompanying "Openbook" which provides a public facing, interactive tool that is available through the Township website. The Township's Corporate Strategic Plan is a key guiding document referred to as the budget is developed. The budget dates outlined below have been chosen in order to ensure that the 2024 Capital and Operating Budget can be approved by the end of February 2024.

Key Budget Dates are as follows:

- **Monday, January 15, 2024 All Committee Meeting:** Presentation of the 2024 Capital Budget and Ten Year Capital Plan and any 2024 Staffing Requests for Information Purposes Only.

The reports presented to Council at this meeting will provide details of all proposed 2024 Capital and Special Projects. It will also include the Ten Year Capital Plan. In addition, staff will be presenting any requests for additional staffing at this meeting. Receiving this information earlier will allow Members of Council more time to review these important components of the budget.

- **Monday, February 5, 2024 Special Council Meeting:** Presentation of the 2024 Draft Operating and Capital Budget. Council will have an opportunity at this meeting to provide staff with any additional direction prior to presentation of the Final 2024 budget.

- **Tuesday, February 20, 2024 Admin/Finance/Fire Meeting:** Presentation of the Final 2024 Operating and Capital Budget.
- **Wednesday, February 21, 2024 Admin/Finance/Fire Meeting:** This date will **only be required** if the 2024 Budget is not approved at the February 20th, 2024 Committee meeting.
- **Monday, February 26, 2024 Council Meeting:** Ratification of the 2024 Capital and Operating Budget.

The Special Council Meeting on Monday, February 5, 2024 is the only meeting that does not fall into the regular schedule of Council and Committee meetings. The meeting on Monday, January 15, 2024 is an All Committee meeting as the ROMA (Rural Ontario Municipal Association) Conference will be held January 21st to January 23, 2024, requiring the cancellation of the regularly scheduled Admin/Finance/Fire Committee meeting.

A 2024 budget engagement survey will be launched in the fall of 2023 in order to allow the public to share their thoughts regarding the 2024 budget.

FINANCIAL IMPLICATIONS:

The annual budget is a guiding financial document for the Township. The overall municipal expenditures as approved in the budget are funded from various sources, including the tax base. As such, the budget information is required in order to determine the required municipal tax levy for the year. Once the budget is approved, the Finance department regularly reviews actual expenditures to ensure that spending matches the budget as approved by Council. Council is provided with a monthly financial update where actual results are compared to budget. The budget figures are also reflected in the Township's year-end audited financial statements. Staff must abide by the approved budget or request a Budget Amendment during the year to cover unanticipated expenditures.

The items below are being highlighted to Council as they will either impact the 2024 Budget or will be a discussion item:

- 1) **Contribution to West Lincoln Hospital:** As part of the 2021 Operating and Capital Budget Final Report T-07-2021 a new hospital levy of \$75,300 was introduced. In addition, a schedule to increase this levy over the following 4 years, 2022 to 2025 was also shared with Council. This new hospital levy is part of the financing plan related to the required local contribution to the \$200 million build. At the time of 2021 budget approval, the West Lincoln contribution was estimated to be \$5,754,000. On April 30, 2021 an announcement was made that the required local contribution had been reduced to \$50 million from \$60 million. This means that the West Lincoln contribution is now estimated at approximately \$4,525,000.

To date, \$176,300 has been included in the hospital levy. The financing plan includes an increase of \$50,500 in 2024, bringing the total hospital levy to \$226,800. The final increase to the hospital levy is planned in 2025 with a planned increase of \$50,200, bringing the total levy to \$277,000.

2) **Replacement of Fire Station #2:** As part of report WLFD-07-2022 the tender of the replacement of Fire Station #2 was approved, as was the revised budget of \$3,950,000 with financing as follows:

a. Fire Reserve	\$ 40,000
b. Contingency Reserve	\$ 400,000
c. Canada Community-Building Fund (CCBF)	\$ 540,000
d. Community Fund Reserve	\$ 663,000
e. Development Charges	\$ 714,400
f. Debenture Issuance	<u>\$1,592,600</u>
g. Total	<u>\$3,950,000</u>

It is anticipated that the tax base will require \$152,000 for future debenture payments. To date, the tax levy has been increased by \$107,000, with a final increase of \$45,000 estimated for 2024.

3) **Asset Management:** In June 2022, Council was presented with the Township’s Asset Management Plan. That report included information regarding the cost of full funding of our asset replacements. In order to reach the full funding required a tax levy increase of 5% or \$417,600 annually was recommended. This is recommended to reach the annual full funding target of \$12.7 million. Staff will be reviewing reserve transfers with the goal of increasing the contributions currently allocated towards asset replacement. The 2023 budget included a 3.96% increase to the tax levy to fund required investments in infrastructure renewal.

4) **Inflation:** The average annual (CPI) Consumer Price Index was 6.8% in 2022. The CPI as of July 2023 is 3.3% which represents a year over year increase. The price of goods and services have increased throughout many sectors of the economy and the Township is impacted with higher costs when purchasing supplies and contracted services. Staff will work on ensuring that operating budget lines remain within a 2% increase, however, in some instances this will not be possible. Staff is estimating that a 2% increase to operating expenditures, excluding wages and benefits, equates to approximately \$197,000.

The non-residential building price index indicate a year over year increase of 6% at the time of writing this report. The increased costs related to non-residential construction will impact the Capital Budget as project costs will likely increase.

5) **Non-Union Salary Review:** In 2022, a Pay Equity/Market Equity Non-Union Compensation Review was completed and presented to Council at a Special Council meeting held on November 17, 2021. The recommendations from that review began to be implemented in 2022, with funding through the Municipal Modernization grant. The required adjustments will be transferred to the operating budget and gradually funded through the tax levy commencing in 2023 and ending in 2028. The 2023 Final Budget Report outlined to Council that in 2024, the impact to the tax levy was estimated at \$152,050.

6) **Assessment Growth:** Assessment growth represents the value increase

associated with a change to a property's state, use or condition. Assessment growth is important as it has an impact on how the tax levy impacts tax payers. The 2023 budget utilized assessment growth of 1.88% which meant that the first \$187,000 of the tax levy increase did not impact property taxes paid.

At the time of writing this report, residential assessment growth is currently at 0.38%. This is significantly lower than what the Township experienced in the previous year. This equates to the first \$35,000 of any tax levy increase having no impact on Residential taxes paid.

7) Contribution to McNally House Hospice: At the January 30, 2023 Council Meeting the following resolution was adopted:

- a. *That, the McNally House Hospice Presentation which provided an update on the expansion of their facility and financial needs be received; and*
- b. *That, McNally House Hospice request for financial assistance from the Township of West Lincoln in the amount of \$70,000, which can be allocated in four (4) annual instalments of \$17.5K, in order to facilitate expansion of their facility, be referred for consideration as part of the Township's 2023 Budget.*

The 2023 allocation was addressed by increasing the budget under 'Transfer to Not for Profit' by \$17,500, offset by a transfer from the contingency reserve. The 2024 budget will also include an allocation to the McNally House Hospice once again funded through the contingency reserve.

8) West Lincoln Santa Claus Parade: Council is reminded that the following resolution was adopted at the April 24, 2023 Council meeting:

- (1) *That, the Director of Finance/Treasurer's Recommendation Report No. T-09-2023 be amended to increase the West Lincoln Santa Claus Parade's Community Grant from \$5,000 to \$7,500.00; and,*
- (2) *That, staff be directed to report back in the Fall of 2023 on a plan for further involvement of staff and resources as part of the 2024 budget for the planning and execution of the West Lincoln Santa Claus Parade event commencing in 2024 while continuing to work with the volunteer committee members of the Parade Committee.*

The 2024 Operating budget will include an allocation of additional resources in order to support the above request.

As Council begins to consider the 2024 budget it is important to note that in 2024, a 1% increase to the base property tax levy equates to an additional \$90,815 of expenditure.

INTER-DEPARTMENTAL COMMENTS:

The proposed budget schedule was discussed with Senior Management.

CONCLUSION:

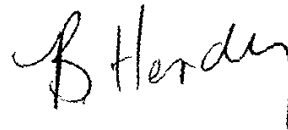
That Council accept this report as an item of information.

Prepared & Submitted by:



Donna DeFilippis
Director of Finance/Treasurer

Approved by:



Bev Hendry,
CAO